



Commitment to Value

The State of Corporate Citizenship 2012



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The State of Corporate Citizenship 2012

Executive Summary

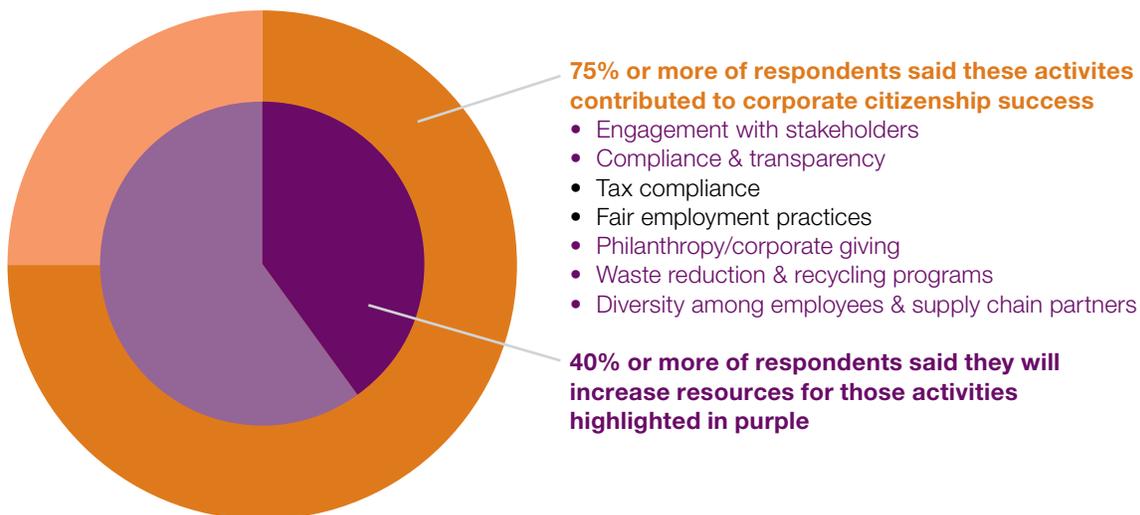
In the 2012 State of Corporate Citizenship, executives issue a clear verdict — corporate citizenship delivers real business results. It doesn't just make firms look good and employees feel good. It helps to achieve business goals such as increasing market share and managing risk.

This report, conducted by the Boston College Center for Corporate Citizenship, is the fifth biennial survey of the attitudes and commitments of business executives toward corporate citizenship. In this year's survey, executives who say that corporate citizenship contributes to their companies' business goals are more likely to report success with those goals. This is true across every kind of business objective tracked in the survey — and most pronounced with reputation and corporate culture. Respondents who say that their corporate citizenship activities are intertwined with their efforts to enhance reputation and corporate culture are up to nine times more likely to report successes in those areas. The inverse is also true: Executives whose companies do not use corporate citizenship to help achieve business goals are less likely to report success with those goals. Taken together, these results suggest that firms that integrate corporate citizenship with business goals have at their disposal a more robust set of tools for serving customers, shareholders, and communities.

The surveyed executives also report that, even in the face of an anemic economy and a volatile stock market, their firms sustained or increased resources on corporate citizenship — and they projected that these resources would be sustained or increased for the next three years.

Key findings for 2012

- Eighty percent or more of all executives, across all business types and industries, confirm that environmental, social, and governance investments create financial value for their companies.
- Companies that align corporate citizenship strategy with overall corporate strategy are more likely to achieve important business objectives. With reputation- and corporate culture-related objectives, success was as much as nine times more likely for those who integrated than for those who did not.
- Environmental sustainability programs received the greatest increases in funding over the past three years and are expected to continue to be a funding priority over the next three.
- Duration of investment in corporate citizenship appears to have an impact on success with related business objectives. The percentages of those reporting success in achieving business objectives increased as the duration of an average corporate citizenship effort increased. Increases ranged 30 to 50 percent when comparing durations on one year or less versus four years or more.
- Companies serving business-to-business (B2B) and business-to-consumer (B2C) markets place more emphasis on corporate citizenship than those companies operating only in B2C markets. Executives from solely B2C companies express the least confidence that corporate citizenship generates shareholder returns. This may be attributable to consumers' reluctance to fully embrace higher prices related to the cost of socially or environmentally conscious products.



Economic context for business

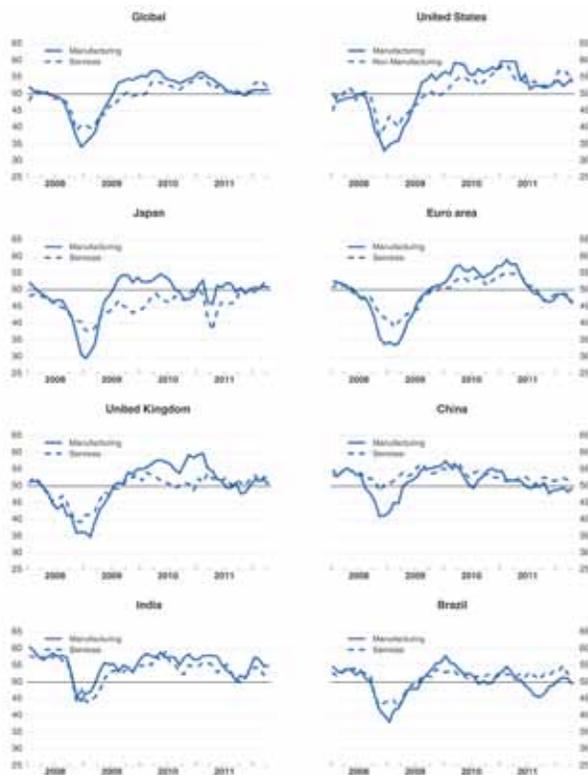
To fully appreciate the value of corporate citizenship and the insights derived from this study, it is important to understand the economic climate in which the survey respondents are operating and the impact this has on their environmental, social, and governance initiatives.

According to the Organization for Economic Cooperation and Development (OECD), the first nine months of 2012 were a struggle for the United

States and world economies as they continued to recover from the financial crisis of late 2008 and early 2009, and the ensuing recession. Globally, the Eurozone's sovereign debt crisis and banking woes, and a slowdown in China are hampering growth and keeping the recovery sluggish. The OECD, however, projects moderate improvement in the global economy in the coming year. Specifically:

- Business confidence has started to stabilize and order books appear to be stabilizing and even turning up in many of the major economies. (See Figure 1).
- Business investment remains below longer-term norms in many countries but has risen since the start of the recovery, buoyed by strong corporate profits and healthy balance sheets.
- Growth in the United States will pick up slowly, with private consumption helping to lower unemployment, which is projected to drop below 7.5 percent by the end of 2013.

Figure 1
Stabilization of business confidence in major economies



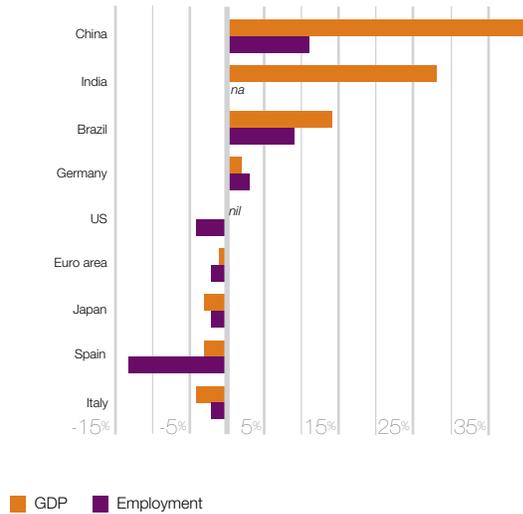
Source: Markit.
OECD (2012), OECD Economic Outlook, Vol. 2012/1, OECD Publishing

Future expectations

The OECD predicts that over the longer term, demographic changes including aging populations in the developed world, and macro-economic forces such as shifting labor participation and rising productivity, will result in shifts in the composition of global GDP (see Figure 2; (The Economist 2011)) Specific factors driving this change include:

- The growth of developing countries – projected to continue to outpace that of developed countries – driven primarily by a catch-up in productivity.
- The pace of developing-world growth – projected to decline to around an average of 5 percent per year in the 2020s, down from more than 7 percent a year over the past decade.

Figure 2
GDP and employment
Q4 2007 - Q3 2011, % change



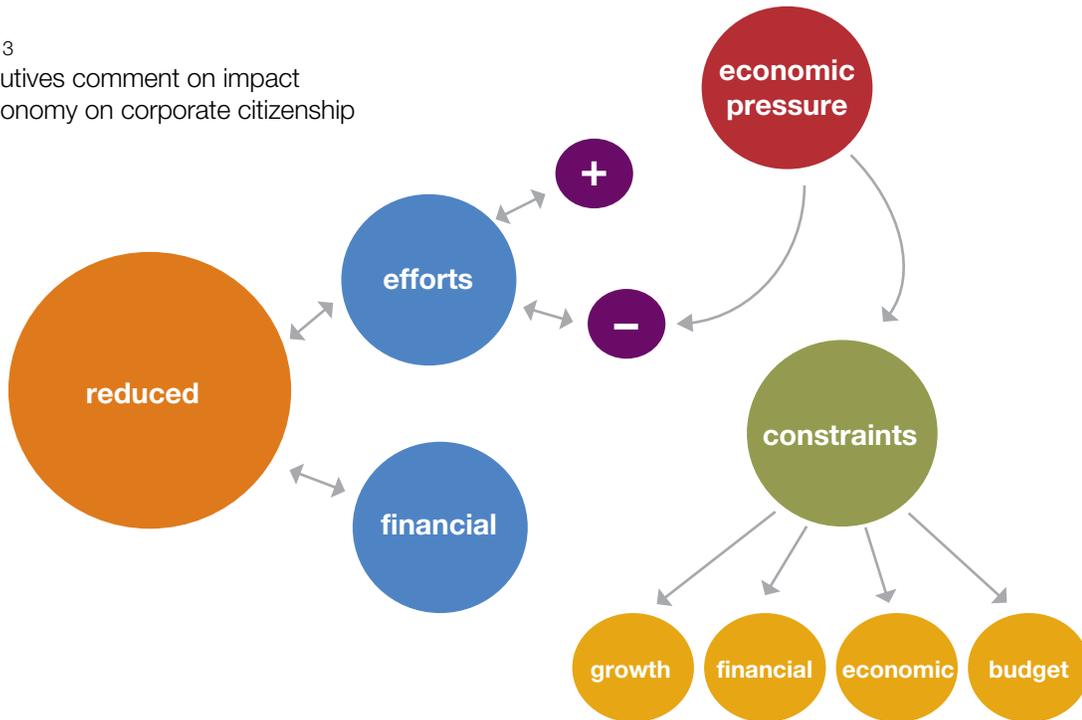
Source: Haver Analytics, as published in The Economist, 2011

The executive point of view

When executives were asked how the economy affected their ability to engage in corporate citizenship, the most common comments centered around reductions in resources and the pressure to focus initiatives carefully. Analysis of the responses to the open-ended question about the economy’s impact captured the words and phrases used most frequently by respondents. The more frequently a word or phrase was used, the larger it appears in a graphic such as the one below. The arrows indicate the relation of words or phrases to each other.

As illustrated in the graphic below, the word “reduced” was one of the words used most frequently, often relative to “efforts” and “financial.” Interestingly, analysis also shows the word “efforts” was frequently related to both “increased” and “decreased,” indicating variation in both the

Figure 3
Executives comment on impact of economy on corporate citizenship



effects and responses to economic pressures. Another frequent, and not surprising, connection in respondents' comments is the word "constraints," relative to "growth," "financial," "economic," and "budget."

Some examples of comments by respondents:

"There is a greater sense that as a large company we have a responsibility to do more to support our

communities and be a good neighbor. Also a bigger sense of urgency to contribute more time and money to charitable organizations."

"The current economic crisis makes it difficult to continue or increase corporate citizenship efforts."

"The weak economy has hindered the effort and removed much of the financial support."

Figure 4

Factors most frequently reported as hindering success of corporate citizenship

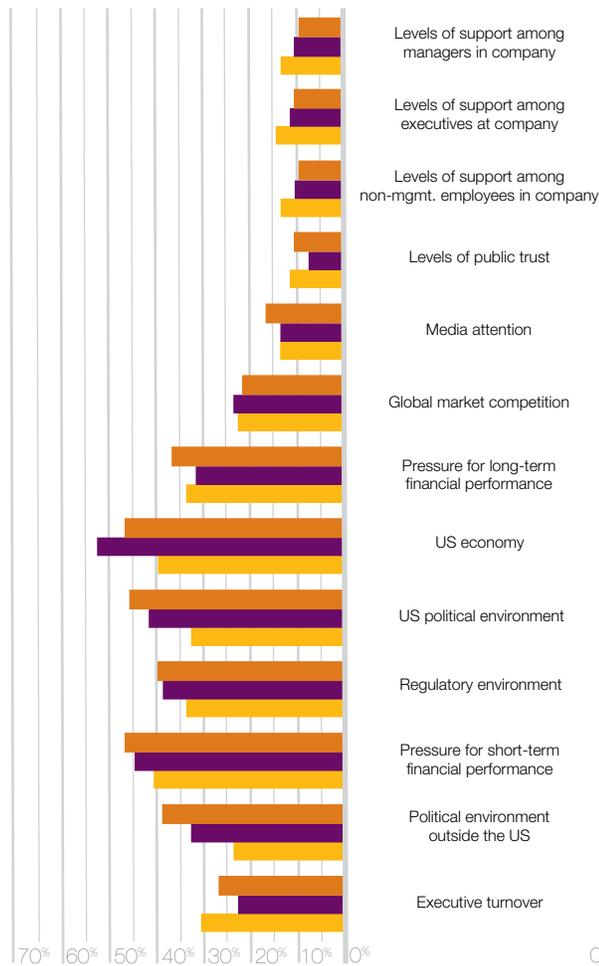
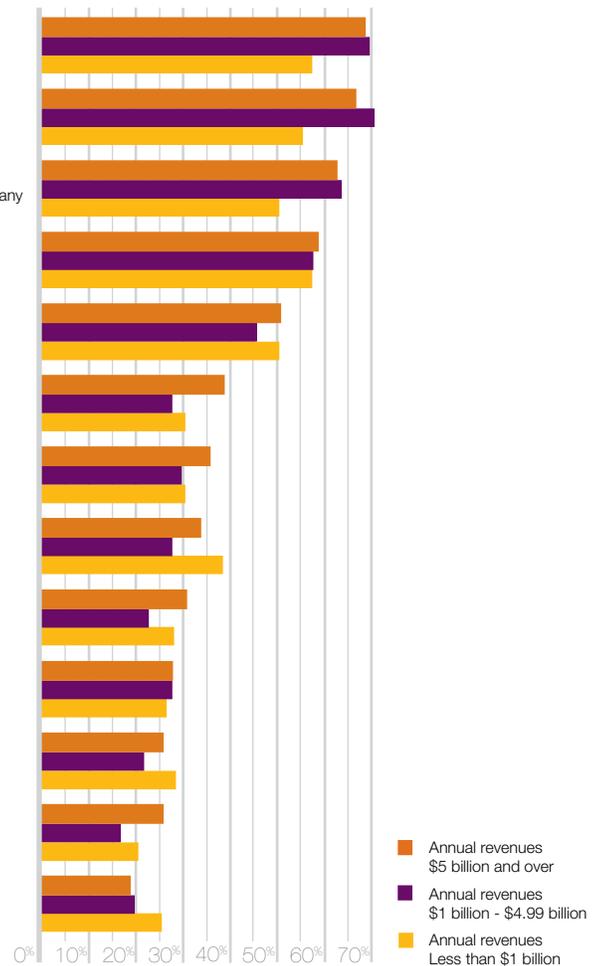


Figure 5

Factors most frequently reported as helping success of corporate citizenship



“It has caused us to decrease our donations to charitable groups and forced us to spend less time on making a difference in our communities in which we operate.”

“The current climate causes our company and others to have to tighten our belts and slows down progress in every area.”

When asked to select from a list of factors that hindered or helped the success of corporate citizenship, respondents most frequently reported the U.S. economy as a hindrance, and most frequently selected support among managers in the company as helping (see Figures 4 and 5).

Figure 6
Current economic climate negative influence on CC efforts, by industry

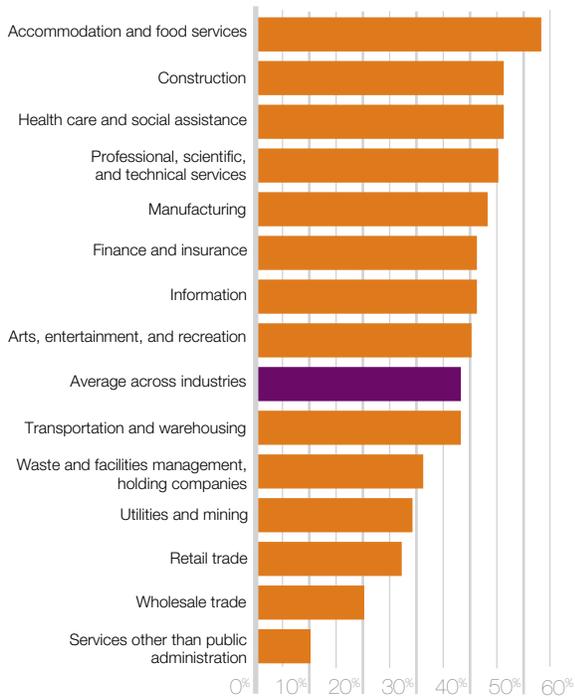


Figure 4

Corporate citizenship programs in medium-sized companies were most hindered by the economy, those in small businesses were most hindered by pressure to deliver short-term results, and those large businesses were most affected by the U.S. economy and pressure to deliver short-term results.

Figure 5

Executive turnover both helped and hindered small businesses more than their larger counterparts. Large businesses were better able to take advantage of global market competition. Small businesses were helped most by the U.S. economy compared to large and medium size companies. Levels of support from managers and executives were most important to large and medium businesses. Companies of all sizes were helped equally by public trust.

Figure 6

Some industries experienced relatively little impact from the down economy, notably and surprisingly, utilities and mining, retail trade, wholesale, and services.



Microsoft's Smith calls corporate citizenship a company's conscience



Microsoft was the company most frequently named by respondents as the leaders in corporate citizenship. Brad Smith, Microsoft general counsel and executive vice president, Legal and Corporate Affairs, appeared at the Center's 2012 International Corporate Citizenship Conference and shared the story of Microsoft's journey to pursue initiatives that deliver real impact and join the strategy and larger purpose in society.

Smith told attendees their job is to ensure their companies' efforts are real, a part of the fabric of what and who they are as companies. "If it's just the cherry on top of the cake, the applause, while initially loud, typically doesn't last," he said.

Smith stressed the importance of measurement and knowing "not just what you are doing, but what you are doing with impact." He said companies also must be willing to put themselves out there a bit to persuade critics of the sincerity of what they are doing. He talked about the need to challenge the firm to push the limits of the status quo and to give more momentum to overall efforts by thinking not only about individual initiatives but also about their cumulative effects.

Microsoft chose to integrate its philanthropy with public policy positions on education funding and immigration reform. The company's effort on immigration took flight when three employees urged the company to help refugees of the Bosnia-Kosovo war. This led to creation of technology with HP to provide identity cards for refugees, building of a database to reunite families, and later a national nonprofit to support refugee children who had become separated from parents and faced deportation.

A true test of what it means to work responsibly comes when problems arise. Smith recalled Microsoft's response when a 2010 New York Times story claimed the company was complicit in a crackdown by Russian prosecutors on small newspapers and NGOs for software counterfeit. Microsoft put a program in place within 24 hours to create blanket license agreements to automatically and immediately apply to every NGO and newspaper in Russia. Smith said the case provided fundamental learning about the difference between managing problems and solving them.

To drive corporate engagement into the realm of problem-solving, Smith remarked, every large institution needs a conscience. That conscience may not have every answer but it needs to be heard. It is, he said, what corporate citizenship is all about. "It's the work that will make corporate citizenship real, and I believe that should be our goal."

The State of Corporate Citizenship 2012

Report findings

The State of Corporate Citizenship reports how U.S. executives view corporate citizenship and their firms' performance in the environmental, social, and governance dimensions of business – and about how corporate citizenship contributes to business objectives such as increasing market share and improving financial performance. Corporate citizenship is defined as corporate initiatives related to “community involvement, philanthropy, environmental, and governance issues.” This is the fifth such report since 2003, and it is built upon an online survey of executives from 749 mostly medium and large U.S. companies operating both domestically and globally.

In 2012, commitment to corporate citizenship is burgeoning. Despite a tough economy, investment in corporate citizenship has taken hold, with the majority of executives reporting continued commitment to almost all dimensions of citizenship. Even during the difficult economic times of the past three years, resources for corporate citizenship were sustained or increased.

Financial and executive-level commitment to citizenship efforts is high, though not equal across industries or priorities. Executives say that their companies value all corporate citizenship areas to some extent and that resources have been sustained or grown across all areas over the past three years.

There is reason for optimism about continued progress. When asked about future levels of investment, respondents predict sustained or increased levels, with the highest increases projected for environmental programs.



Travelers EDGE investment brings returns for the community and the company

For The Travelers Companies, Inc., funding education programs in the community is an important investment in youth, the economy and, ultimately, the sustainability of the company.

These investments, which focus on communities in the Hartford, Conn., and St. Paul, Minn., regions, are designed to strengthen local education and provide a long-term return on investment back to Travelers in the form of an educated workforce. The company's signature education program, Travelers EDGE (Empowering Dreams for Graduation and Employment), creates a pipeline for underrepresented students to develop the skills necessary for success in college and ultimately the workplace.



Marlene Ibsen
Vice President of
Community Relations

"The quality of life in our communities, and the health of our business, depends on a well-educated population," said Marlene Ibsen, vice president of Community Relations. "This program is building a pipeline of diverse, talented candidates for our company and our industry."

The primary objective of Travelers EDGE is to increase the number of underrepresented students who complete a bachelor's degree and are prepared for a career at Travelers or within the insurance and financial services industry. Additionally, the Travelers EDGE program provides an in-depth approach to supporting students, including opportunities for mentoring, internships, academic support, and professional development – designed to provide students with a competitive "EDGE" for their futures.

Travelers is one of the nation's largest property casualty companies with more than 30,000 employees, 13,000 independent agents and multiple market segments across the personal, business, financial, and international insurance groups. In 2011, Travelers employees contributed more than 31,000 corporate and personal volunteer hours, up from 22,000 the previous year.

Travelers and the Travelers Foundation in 2011 provided approximately \$21 million in community support with approximately \$9.5 million directed to educational causes and organizations. Additional charitable giving is directed to arts, culture, and community development activities.

Integration of citizenship and business goals

This year’s key finding is that executives who say their companies’ corporate citizenship contributes to achieving business goals are also more likely to report success with those goals. This was true across all business objectives, and it was most pronounced in objectives related to reputation and corporate culture. Executives reporting integration of corporate citizenship and business goals are up to nine times more likely to report success with reputational and cultural goals (see Figure 8c), with the most pronounced gains in an improved ability to motivate employees (see Figure 7).

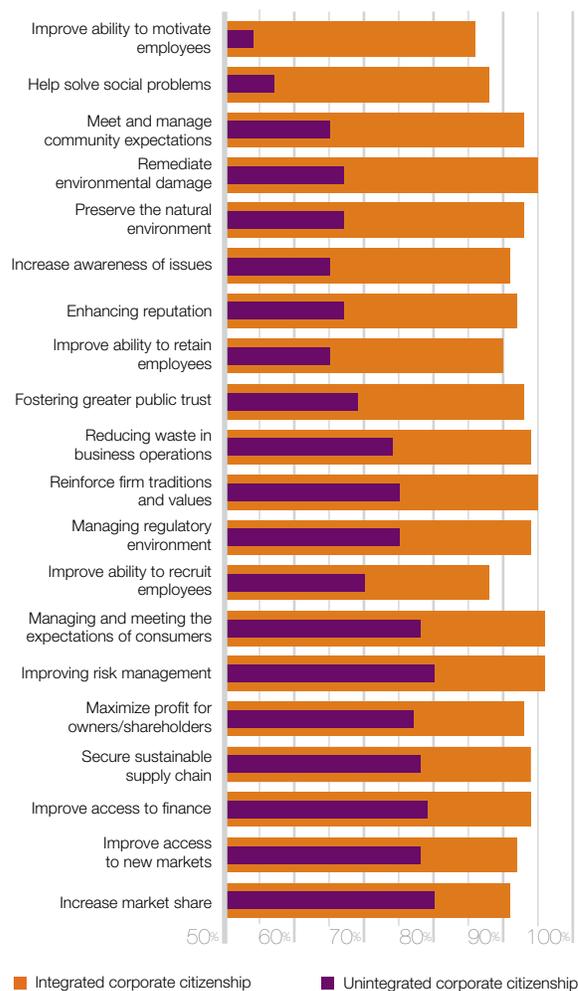
In contrast, companies that do not use their citizenship to help achieve business goals are less likely to report success with those goals. Taken together, these results suggest that firms committed to citizenship have a more robust set of tools for achieving their business goals and serving their customers, shareholders, and communities.

Reputation and trust

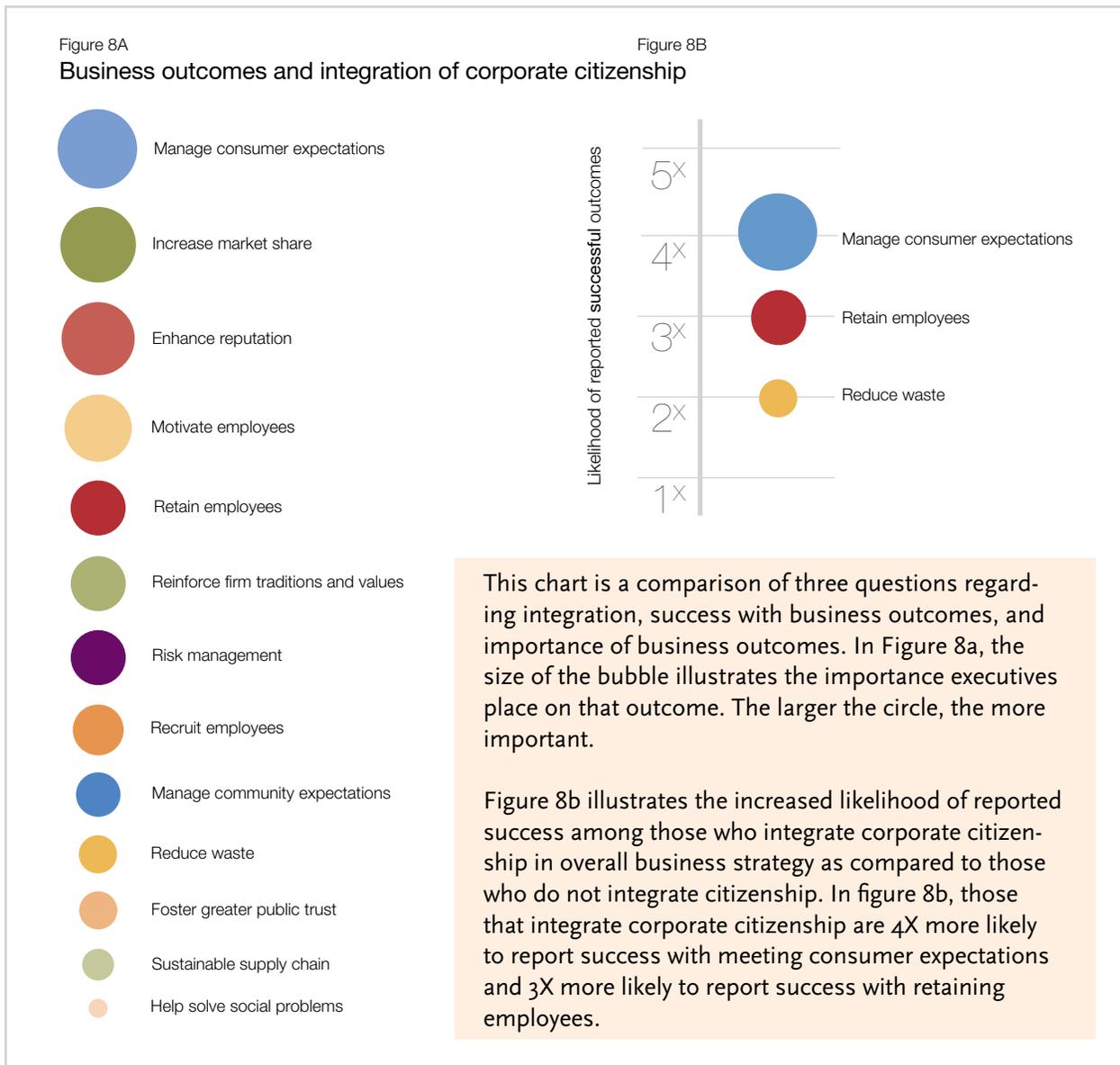
Corporate citizenship has the greatest impact on companies’ reputations and corporate cultures and the largest companies benefit the most. Eighty-three percent of respondents whose companies have revenues of more than \$5 billion say that corporate citizenship contributes to their success in fostering public trust.

Smaller companies benefit, too, although not as much. Among respondents whose companies have revenues of less than \$1 billion, 72 percent report that corporate citizenship contributes to enhanced reputation and corporate culture.

Figure 7
Corporate citizenship’s contribution – Success in achieving various outcomes



This comparison of two questions regarding corporate citizenship integration and business success illustrates that corporate citizenship investments can improve the likelihood of success with important business objectives.



There were substantial differences across industries, in terms of which business outcomes respondents reported their firms achieving successfully, and in how and to what degree corporate citizenship initiatives contribute to that success. These differences likely reflect variation in the materiality of issues and activities across industries.

A higher percentage of respondents from publicly traded companies than from private firms report

the importance of a sustainable supply chain, improving employee recruitment, and preserving the natural environment (more than a 5 percent difference for each outcome).

Companies that serve both B2C and B2B markets value citizenship activities that foster reputation and public trust and that protect the natural environment more than businesses that operated either solely in the B2B or B2C markets.

Figure 8C
Intersection of corporate citizenship and reported success with achieving business success

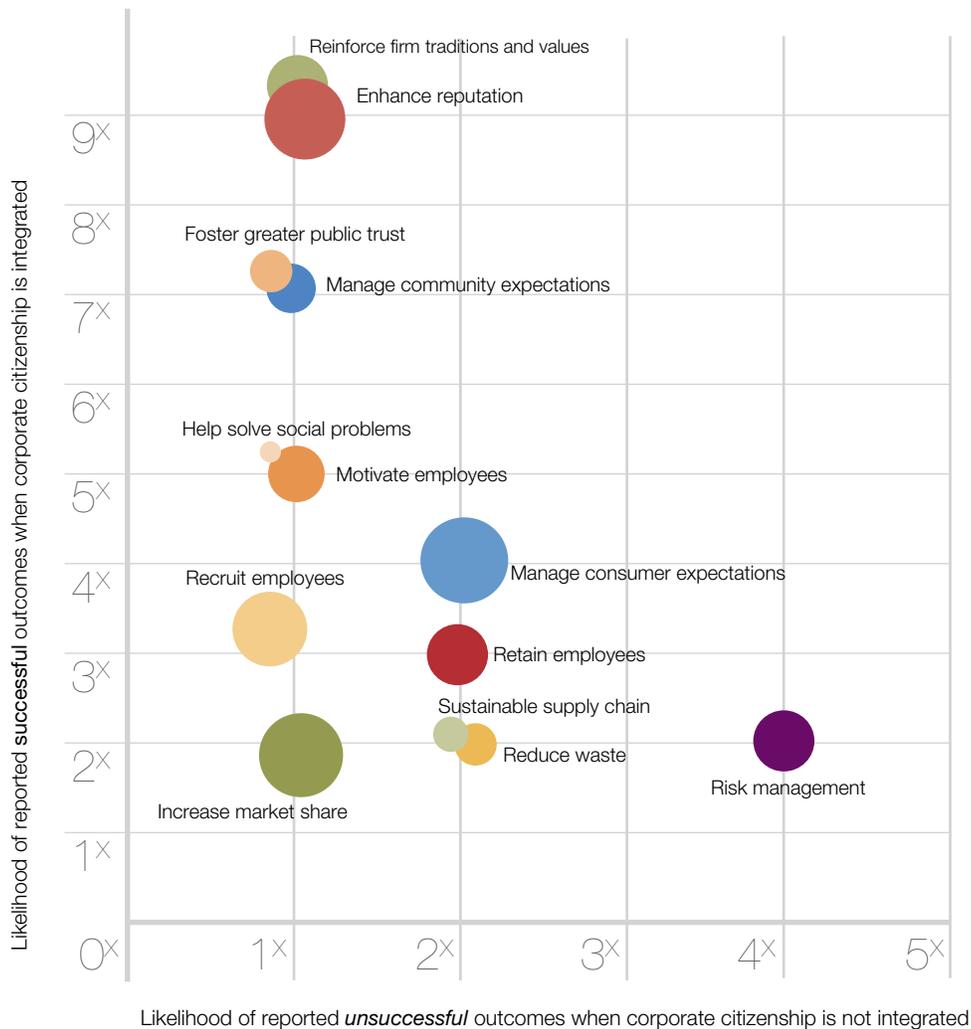


Figure 8c illustrates both the increased likelihood of success with important business objectives on the Y axis and the increased likelihood that a firm would report being unsuccessful on the X axis. Looking at risk management, firms that integrated corporate citizenship were twice as likely as firms that did not integrate to report success. Firms that did not integrate were 4X as likely to report being unsuccessful with that same objective as those that did integrate. Firms integrating corporate citizenship in achieving the business objective of enhancing reputation were 9X more likely to report being successful in achieving that objective.

Alignment of corporate citizenship

Connecting with business value

The majority of executives believe that corporate citizenship benefits their shareholders and their bottom line. At least 80 percent of executives, across all business types and industries, confirm that environmental, social, and governance investments create financial value.

Executives at public companies operating in both the B2B and B2C markets most frequently predict long-term returns. Their counterparts at companies operating only in B2C markets are more skeptical – they tend to express the least confidence that corporate citizenship generates shareholder returns. They’re also the most likely to say that citizenship

will provide no return of value to shareholders. Yet even in this skeptical group, the percentage reporting no return does not exceed 20 percent.

Delving down into particular kinds of citizenship, executives say that this pattern of support for the value of investments follows similar curves over all three measured dimensions – environmental, social, and governance (see Figures 9, 10 and 11).

Environmental investments are reported most frequently as returning value to shareholders. Social investment returns are reported second most frequently, followed by governance investments. Though the percentage reporting return on governance investments is modestly lower than those

Figure 9
Environmental investments return value to shareholders by co. type and return horizon

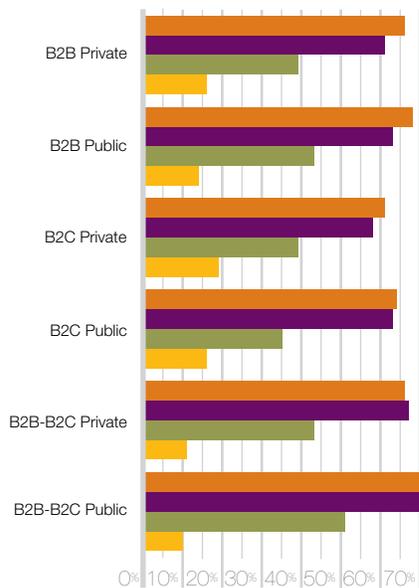
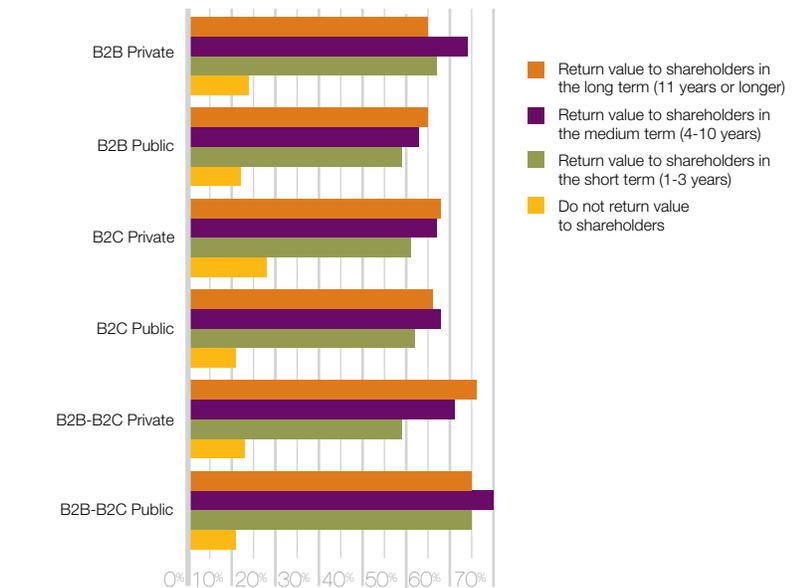


Figure 10
Social investments return value to shareholders by co. type and return horizon



reporting return on environmental or social investments, it is notable that respondents from all business types report that governance returns will be realized almost equally in the near, medium, and long term.

Connecting with stakeholder interests

Not surprisingly, customers matter most to executives when they're designing their citizenship programs: More than 90 percent of respondents identified their customers as the stakeholders considered the most as citizenship initiatives are developed (see Figures 12, 13 and 14). Customers are followed by board and executive leadership, communities in which businesses operate, investors/shareholders, and employees. The least frequently considered stakeholders are the media, government offices, supply chain partners, and NGOs. The order of importance assigned to each group

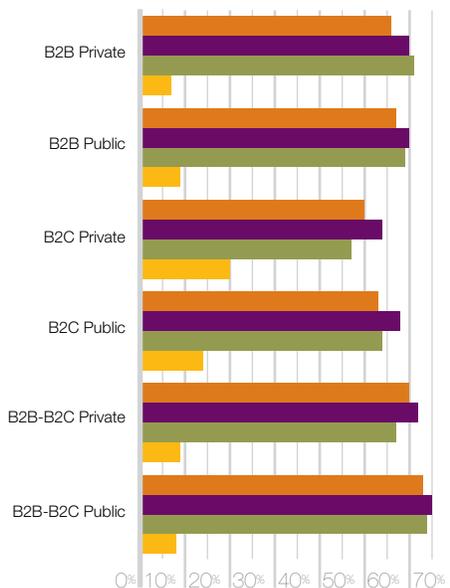
does not shift much when looking at public versus private companies, but some differences do emerge (see Figure 13).

Public-company executives care more about media than their private-company peers do (72 percent vs. 60 percent). And B2C executives report consideration of media more frequently than their B2B counterparts – 67 percent vs. 58 percent. Executives at public B2C companies say media are almost as high a priority as their employees. Companies serving both B2B and B2C markets reported consideration of supply chain partners (70 percent) at a higher rate than B2C alone (57 percent) and B2B alone (62 percent).

Firms' financial health influenced the level of priority assigned to the various stakeholders. When companies are stable or growing, employees rise in importance as stakeholders, possibly a reflection of the need to maintain firm-specific know-how. Supply chain partners also loom larger during times of growth (See Figure 14).

In contrast, consideration of employees and communities as stakeholders slips when finances suffer. Consideration of employees drops almost 20 percent in tough times.

Figure 11
Governance investments return value to shareholders by co. type and return horizon



Figures 9, 10 and 11

There is an observable difference between how executives think about the return on environmental investments compared to social and governance investments. Fewer believe there will be short-term returns on environmental investments than believe there will be short-term returns on social or governance investments. Executives operating only in business-to-consumer markets tend to be the most skeptical of the return of value to shareholders from any category of corporate citizenship investment.

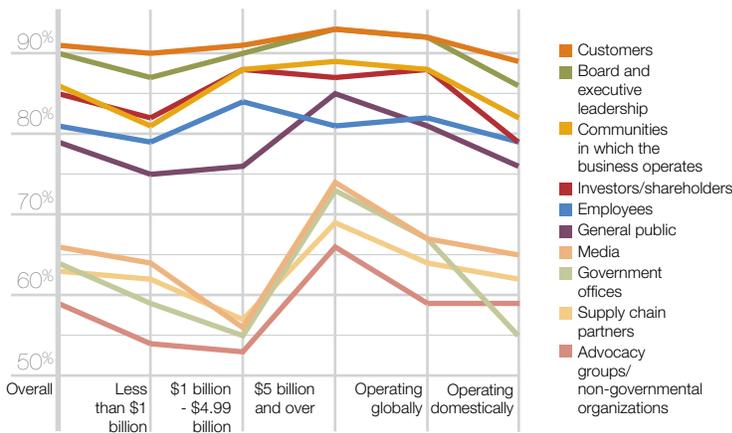
Characteristics and priorities

A key challenge for a forward-thinking company is forging citizenship strategy that achieves three goals: It aligns with concerns of stakeholders, advances business goals, and contributes to the common good. There are broad similarities in the reported importance of specific outcomes and activities across industries, company types, and sizes. The most marked differences were between companies with revenues of more than \$5 billion and those with less than \$5 billion (see Figures 15 and 16).

Size matters

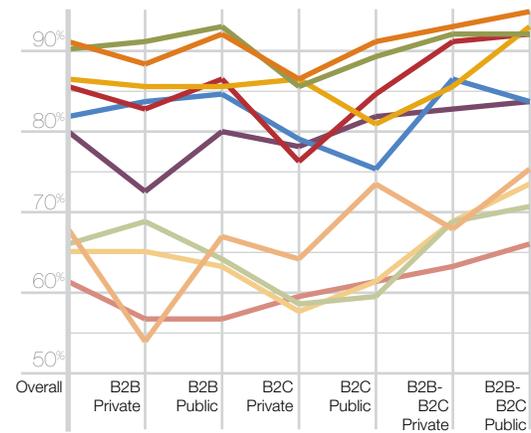
Maximizing profits, meeting consumer expectations, and increasing market share are consistently named as top priorities by 90 percent or more of respondents. Differences start to emerge for those priorities listed. All of the priorities are considered important by most respondents, but considerable variation can be observed across revenue segments. Companies with annual revenues of \$5 billion or more annually (large companies) place higher priority on all citizenship outcomes than those with less than \$5 billion (small companies). More than 71 percent of the executives of large firms consider preserving the natural environment an important

Figure 12
Extent to which stakeholders are considered in developing CC efforts by revenue/operational scope



Across the board, companies consider customers, board and executive leaders, operating communities, investors, employees, and the general public, when developing their corporate citizenship efforts. Large companies may consider the general public over employees. Media, government and supply chain partners consistently fall below those top stakeholders.

Figure 13
Extent to which stakeholders are considered in developing CC efforts by company type



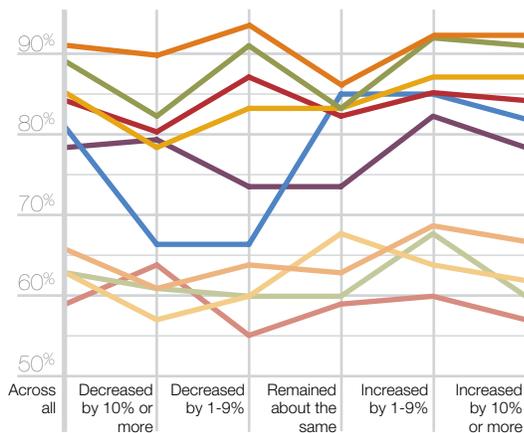
Public companies operating in business to consumer markets consider the media more important in developing their corporate citizenship efforts. B2B companies consider government offices at higher levels than those operating only in B2C markets.

outcome. Among smaller companies, only 58 percent agree. Similar differences can be seen on the level of importance given to reducing waste and creating sustainable supply chains (see Figure 16).

Industry influences decisions

Across industries, citizenship was reported to return value to the overall corporate strategy. Industries that are most dependent on employees with firm-specific knowledge are most likely, for example, to derive value from employee engagement and employment programs. Those most dependent on raw materials and natural resources are most likely to derive value from protecting the natural environment.

Figure 14
Extent to which stakeholders are considered in developing CC efforts by change in revenue



When companies perform poorly, consideration of employees in development of corporate citizenship efforts drops significantly.

Figure 15
Outcomes considered necessary by size – Least variation

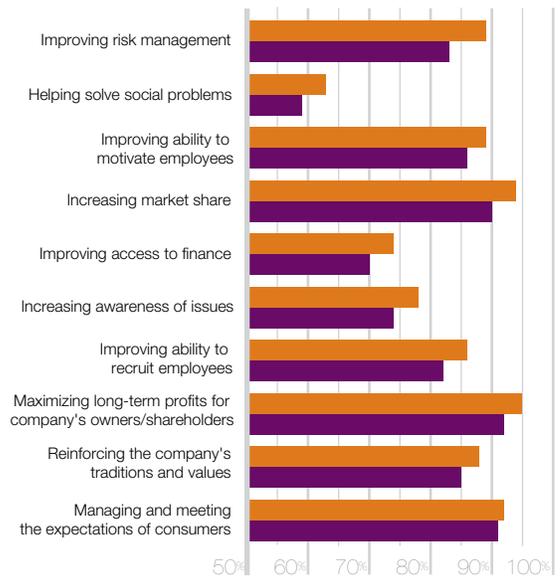
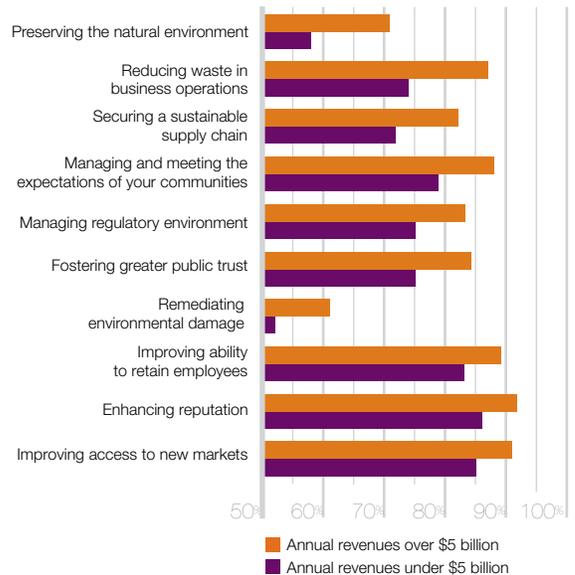


Figure 16
Outcomes considered necessary by size – Greatest variation



Large companies feel greater pressure on more corporate citizenship issues, particularly related to the environment.

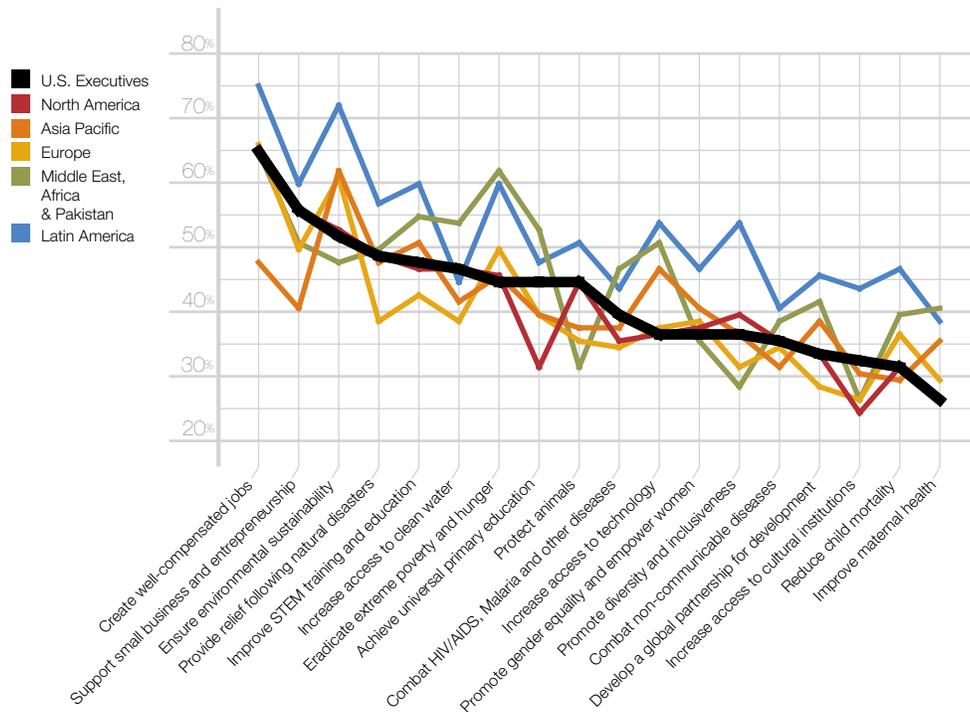
Perspectives of executives and consumers on issues and causes

Corporate citizenship professionals often debate which issues warrant a commitment by their firms. Selecting poorly can be costly. A firm’s citizenship efforts may come to nothing if it invests heavily in, say, political campaigns when its customers and employees really care about green energy or education programs. Understanding both where a company is best positioned to make an impact and which issues are most important to its stakeholders is critical.

To help citizenship professionals make these kinds of determinations, the Center for Corporate Citizenship put a tracking question into the field with The Nielsen Company, to compare perspectives of U.S. executives and those of global consumers. All consumer data in this section of the report is derived from the Nielsen Global Socially Conscious Consumer Study and is used with permission from Nielsen.



Figure 17
For which issues should a company be held responsible – U.S. executives’ agreement compared to global consumers



Consumer data from Nielsen Global Socially Conscious Consumer Study

There is a high level of agreement among consumers that companies should be held responsible for environmental sustainability—though that issue receives lower priority from consumers in the Middle East, Africa and Pakistan. Among North American consumers, there is a very low level of agreement that companies should be held responsible for universal primary education compared to other regions. There is a general band of agreement on priorities that is illustrated by the slope that is generally followed by all segments.

Figure 18

For which issues should a company be held responsible – U.S. executives’ agreement compared to global consumers, by gender and age



Executives and consumers agree on how businesses should involve themselves with some social, environmental, and public policy issues, and disagree on others.

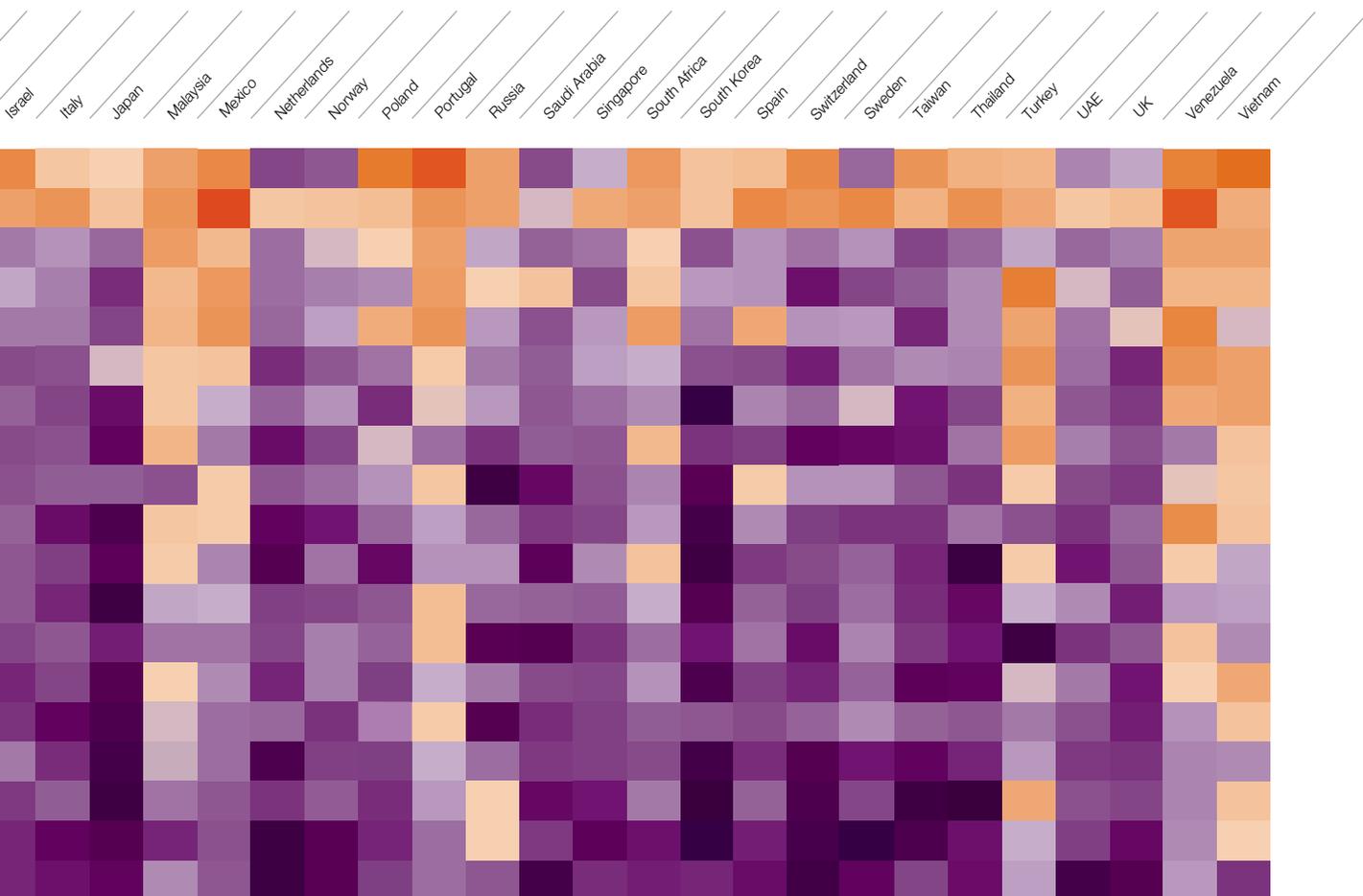
Both executives and consumers believe companies should provide well-compensated jobs and ensure environmental sustainability. Other priorities shift with demographic factors such as gender, age, region and nationality (see Figures 17, 18 and 19).

Not surprisingly, the greatest agreement is between U.S. executives and U.S. consumers. Latin American consumers, in contrast, consistently expect more from companies than the U.S. executives expect of their companies. That “expectations gulf” holds across all of the potential citizenship goals examined. Consumers in Africa, the Middle East, and Pakistan also have far different expectations than U.S. executives. (In Figures 18 and 19, the brightest colors on the heat maps represent highest perceived importance, and the darkest, the lowest.)

Figure 19
 For which issues should a company be held responsible –
 U.S. executives' agreement compared to global consumers



Consumers in Latin America and South Asia put more emphasis on more issues than consumers in other regions. Across all regions, jobs and the environment are consistently at the top of issues consumers see as a responsibility of companies.

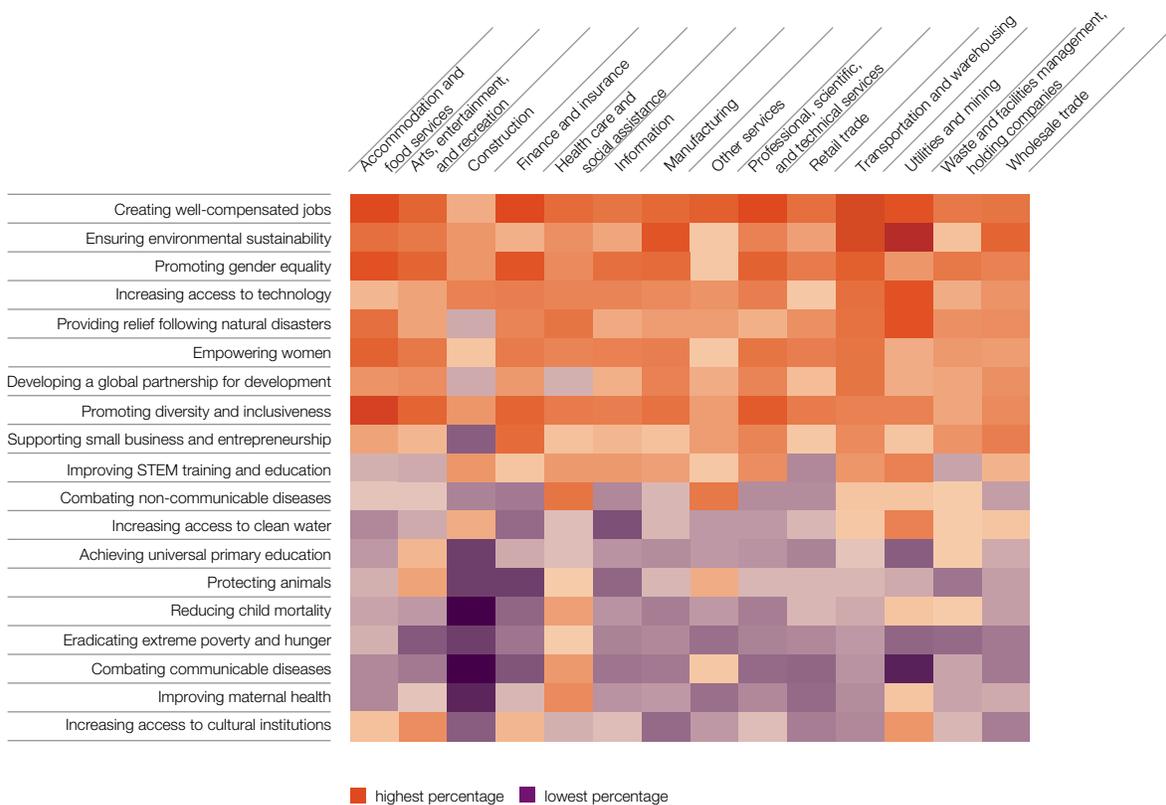


Corporate citizenship managers may benefit from examining these findings because prior research suggests that U.S. firms operating globally must align expectations of both home and host communities (Gardberg and Fombrun 2006). Even if stakeholders at an international business site have low expectations for corporate social responsibility, companies may find that stakeholders at home expect that the firm also invest in corporate citizen-

ship abroad. Not doing so thus poses reputational risk. Thanks to the Internet, home-country stakeholders can access news worldwide, and history shows that consumers are willing to punish, via boycotts and protests, companies that do not meet their expectations of behavior abroad.

The heat map in Figure 20 represents the difference in agreement among executives across indus-

Figure 20
Companies held responsible for issues – Percent of agreement across industry

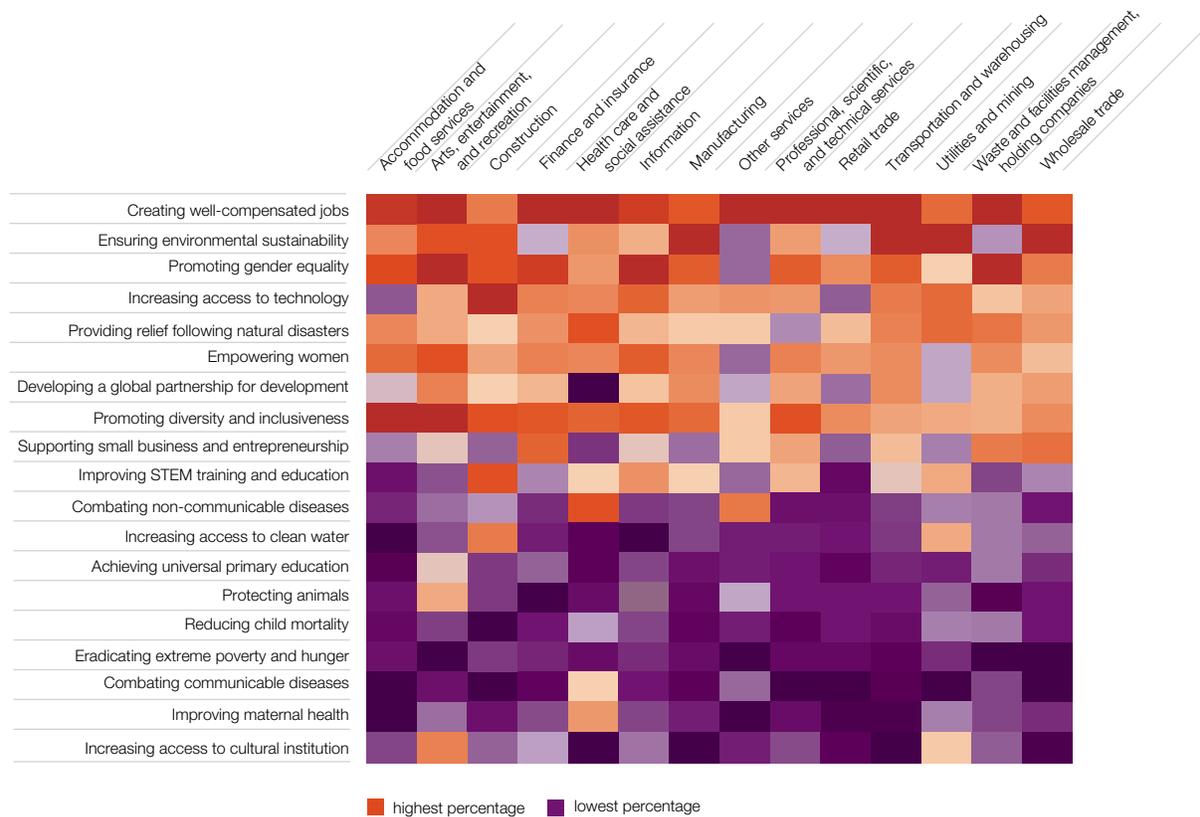


Reading along the issue line across industries reveals that executives in the construction industry place the lowest levels of concern on the greatest number of issues.

tries that business should be involved in specific issues, with the brightest orange representing the highest level of agreement and darkest purple, the lowest. Note that respondents from the construction sector indicate lower levels of agreement about business involvement in issues than other industries. The heat map in Figure 21 shows the level of agreement that business should be involved in

specific issues within industries, with the brightest orange representing issues with the highest level of agreement and the darkest purple, the lowest level of agreement. The chart reveals some unusual alignment on issues, such as the utilities and mining sector being joined by arts, entertainment and recreation, on responsibility for increasing access to cultural institutions.

Figure 21
Companies held responsible for issues –
Percent of agreement within industry



Reading down each industry column shows there is a range of concern for issues within industries.



NYSE Euronext puts stock in innovative partnerships

Corporations cannot solve most social or environmental problems alone. The NYSE Euronext Big StartUp program is an example of an innovative partnership that can contribute to the achievement of corporate citizenship goals.

Though much attention is focused on large corporations in discussion of the need for job growth in the United States, many analysts predict that the engines of job growth and economic recovery are small and medium-sized businesses (SMEs). Recognizing the power of the smaller engines of the economy – and the important role that large corporations can play in nurturing them – NYSE Euronext worked with partners to identify the resources that large corporations could apply to supporting small business, entrepreneurs, and startups, and developed a comprehensive partnership approach to promote and accelerate job growth. The NYSE Big StartUp program mobilizes large corporations to work directly with and contribute knowledge, expertise, and funding where and when they can contribute the most to small business success.

NYSE Euronext's nonprofit partners in this effort are the Startup America Partnership, Acción US, and the Entrepreneurs' Organization. The NYSE Big StartUp and Startup America have developed a technology platform called Corporate Connections that facilitates need-matched introductions between startups and major corporations, enabling large companies to access innovative new products and services offered by startups and enable startups to access the supply chains of large corporations. This combination of resources helps small businesses, entrepreneurs, and startups become connected to funding and get their products and services onto the shelves and into the order-books of listed companies and other large corporations.

NYSE Euronext has also established the Acción NYSE Job Growth Fund with an initial \$1.5 million contribution, and is inviting other corporations to make donations. Acción provides micro-financing expertise to distribute capital to SMEs donated from corporations to the Jobs Growth Fund. The partnership with the Entrepreneurs' Organization will connect small enterprises with NYSE-listed companies that can help to accelerate their growth by providing advice, expertise, procurement, and mentoring opportunities.

According to a 2011 Nielsen poll, 56 percent of U.S. consumers believe that companies should be held responsible for small business and entrepreneurship. Another study done in 2011 (Cone, Echo Global) noted that more than 43 percent of Americans said that if they had to select one cause for a company to support it would be economic development. Through its partnerships, NYSE Euronext is helping large corporations contribute solutions to one of society's most challenging and prevalent problems.

Industry perspective influences corporate citizenship strategy

The particular corporate citizenship activities that companies choose and the ones that they identify as contributing the most value to their citizenship efforts are often those that add the most value to business outcomes. A broad look across industries reveals that executives place high priority on stakeholder engagement, employee volunteer and employee support programs, and philanthropy. Within industries, priorities shift. Retail, health care, and services companies, for example, place high priority on environmental, social, and governance activities. Construction favors community economic development. Other program types emerge as higher or lower priorities, depending on the nature of the industry and its key stakeholders.

Protecting and preserving environment

Most respondents name environmental protection as a priority, but industries that depend on raw materials, such as mining, utilities, and construction, show greater sensitivity to environmental concerns, ranking them as more important and reporting success in achieving environmental goals more frequently. Executives in these industries also say more frequently that environmental efforts contribute to overall business success – suggesting more immediate relevance of these goals in those industries. Differences can also be seen across revenue segments. Larger companies are more likely to see environmental objectives as important.

The employment environment and competition for workers

Industries that compete for educated workers, such as information, health care, and finance, or those that need employees with firm-specific knowledge and relationships, such as wholesale and retail trade, stress employee-centered citizenship. This finding is underscored by recent research, which finds that corporate citizenship programs can reduce labor turnover, and recruitment and training costs (Vitaliano 2010).

Building reputation and trust

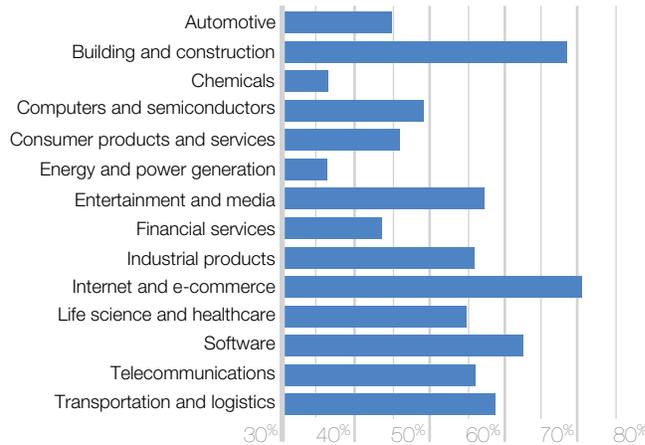
Respondents most frequently say corporate citizenship contributes to enhancing reputation, managing and meeting the expectations of consumers, maximizing long-term profits, and reinforcing corporate traditions and values.

Reputation and trust are among the intangibles that can contribute most to business value. A recent study (KPMG AG Wirtschaftsprüfungsgesellschaft 2010) examining the value assigned to the assets of firms acquired by others shows that, in the majority of the industries analyzed, the percentage allocation of the purchase price to goodwill is typically more than 50 percent (see Figure 22).

According to a 2011 Nielsen poll, 56 percent of U.S. consumers believe that companies should be held responsible for small business and entrepreneurship.

Nielsen Global Socially Conscious Consumer Study

Figure 22
Percentage allocation of purchase price to goodwill by industry (median)



Source: KPMG AG Wirtschaftsprüfungsgesellschaft 2010

Many of the dimensions of goodwill – intellectual property, consumer loyalty, employee relationships, forward-facing contracts – are affected by corporate citizenship and the allocation of company purchase price to goodwill is typically over 50 percent.

In addition to capturing the value of operational synergies, goodwill is derived from reputation, brand equity, and customer equity, among other things. Corporate citizenship programs can contribute to all of these. (Raithel, et al. 2010)

Drilling down into individual industries reveals a surprising amount of similarity in responses about citizenship outcomes considered necessary to overall business success and the extent to which citizenship contributes to it. Executives from all six sectors portrayed in Figures 23-28, for example, believe a good reputation matters for their businesses and that citizenship contributes to that reputation. Similarly, they all see a critical role for citizenship in reinforcing company traditions and values. Differences emerge between industries regarding to what degree corporate citizenship might contribute to a firm's ability to access new markets or maximize profits (construction) vs. its ability to motivate employees (retail).

“We are learning how we can work together to advance sustainability while building fundamental business knowledge.”

Rick Martella, Vice President of Corporate Affairs, ARAMARK



ARAMARK blends environmental responsibility into training and recruitment efforts

As the 2012 State of Corporate Citizenship shows, one of the ways executives see corporate citizenship contributing to business success is by creating a positive workplace environment that recognizes the changing dynamic of our evolving workforce. Corporate citizenship and the theme of responsibility can support a company's efforts to recruit and retain employees. When you have a workforce of more than 250,000, innovating around these imminent priorities can make a material difference.

ARAMARK is one of the top 25 employers in the United States.¹ The company continuously seeks ways to address the workplace and recognize the significant changes about to take place in the next-generation workforce that companies will engage with. ARAMARK believes that responsibility is a theme that can help facilitate innovation when it comes to tomorrow's workforce and workplace.

One of the ways ARAMARK does this is by offering career opportunities to young professionals through internships designed around social and environmental impact projects within the business operations. The internships started a few years ago through a partnership with the Student Conservation Association (SCA) and the creation of an Environmental Internship Program. A dozen internships offered through SCA were installed across ARAMARK businesses including Parks and Destinations, Business Dining, Education K-12, and Higher Education, with positions in client locations from Denali National Park in Alaska to the University of South Florida in Tampa. Projects focused on several environmental fields such as purchasing, waste management, building operations, and energy and water conservation.

"This type of program addresses a prominent challenge that exists in the private sector today – how we effectively engage young professionals with an interest in entering the workforce, and in impacting social or environmental issues," said Rick Martella, ARAMARK vice president of Corporate Affairs. "In addition to creating specific practices around key issues, we are learning how we can work together to advance sustainability while building fundamental business knowledge."

As a result of this unique way of engaging future professionals, nearly half of the internship class was hired into permanent roles in traditional (purchasing, management, etc.) functions. ARAMARK has endeavored to double the size of the program year over year, expand into areas such as wellness and civic engagement, and continue to develop the program as a way to attract, engage, and onboard talent by capitalizing on a theme (responsibility) that is a priority for companies and individuals alike.

¹2012 Fortune 500 rankings

Figure 23-24

Extent to which corporate citizenship contributes to business outcomes and the importance of those outcomes to company success by industry

These graphs illustrate the difference between where corporate citizenship is contributing to outcomes and how necessary the industry sees the outcomes to company success. The outcomes are listed in the order by which respondents from each industry report corporate citizenship contributes to the success of the company. Comparison of colors in the two columns reveals alignment or misalignment between the importance of an outcome to a company's success and the degree to which corporate citizenship contributes to that success.

Using Retail as an example, the following findings are noteworthy:

- There is alignment between how necessary companies see managing and meeting the expectations of consumers and the extent to which corporate citizenship contributes to success with that outcome.
- Not surprisingly, maximizing profits for company's owners/shareholders and increasing market share are considered very necessary to company success, however, corporate citizenship is not considered to be contributing to these outcomes to the same extent as it does with some of the other outcomes.

Figure 23
Construction

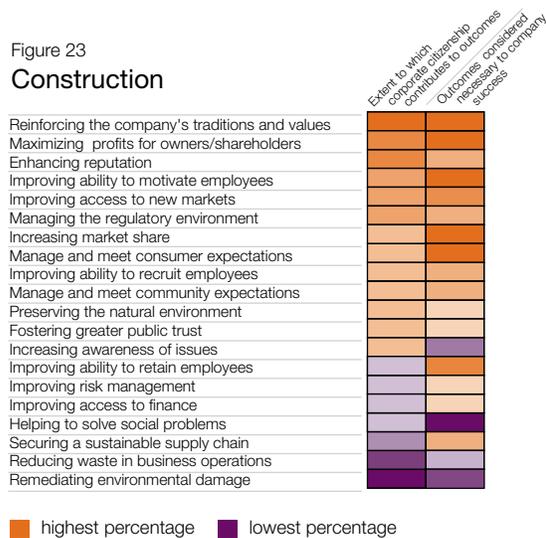


Figure 24
Retail

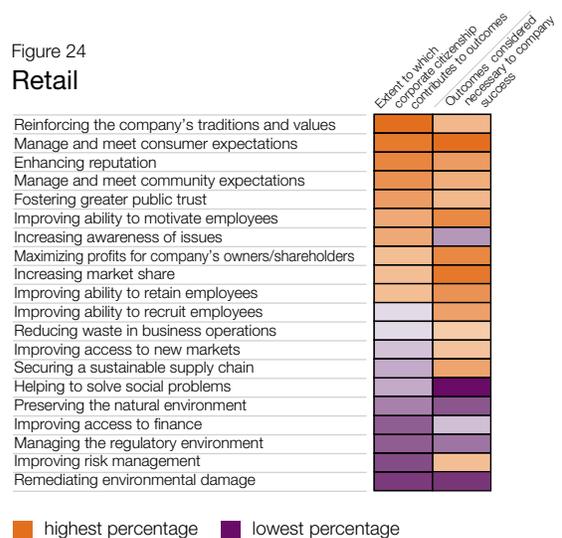


Figure 25-28

Extent to which corporate citizenship contributes to business outcomes and the importance of those outcomes to company success by industry

Figure 25
Wholesale Trade

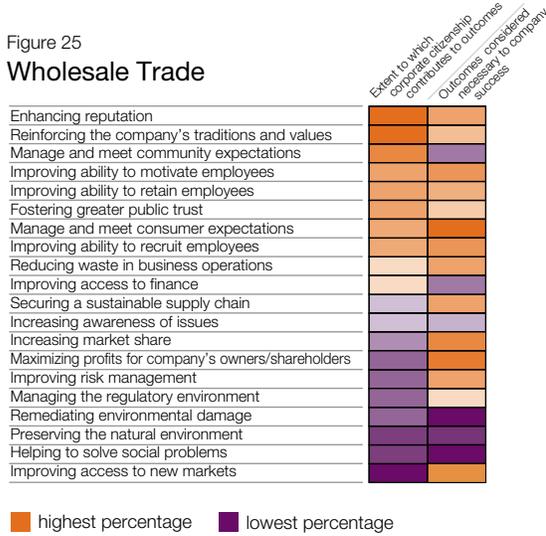


Figure 26
Manufacturing

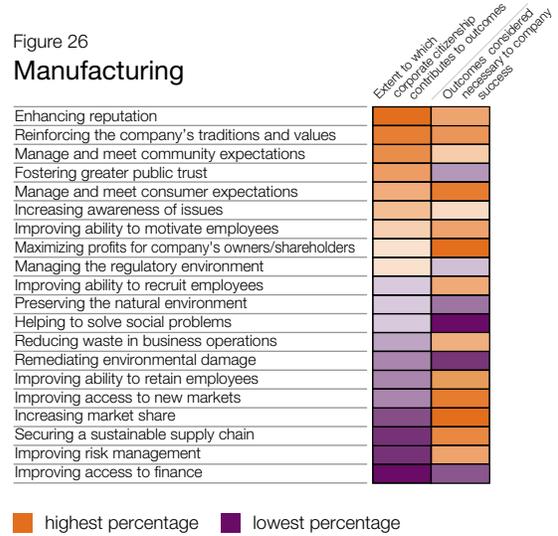


Figure 27
Finance and Insurance

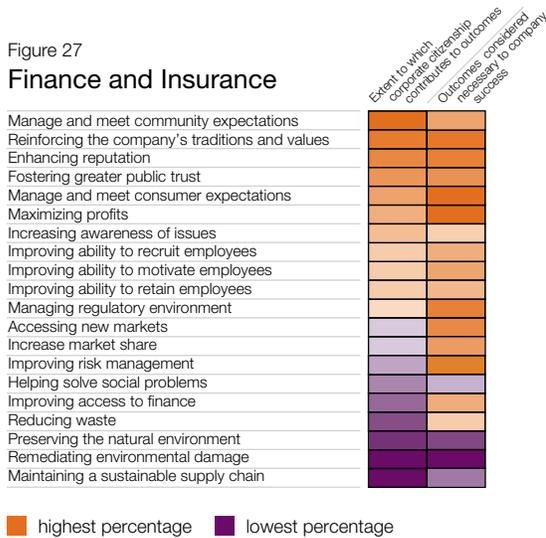
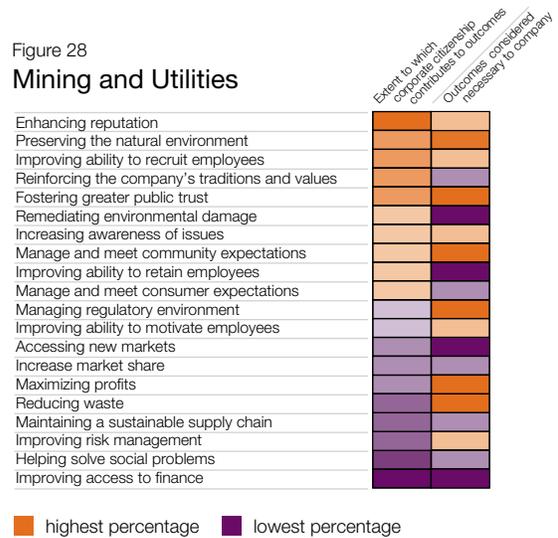


Figure 28
Mining and Utilities



Commitment to corporate citizenship

Long-term approach brings returns

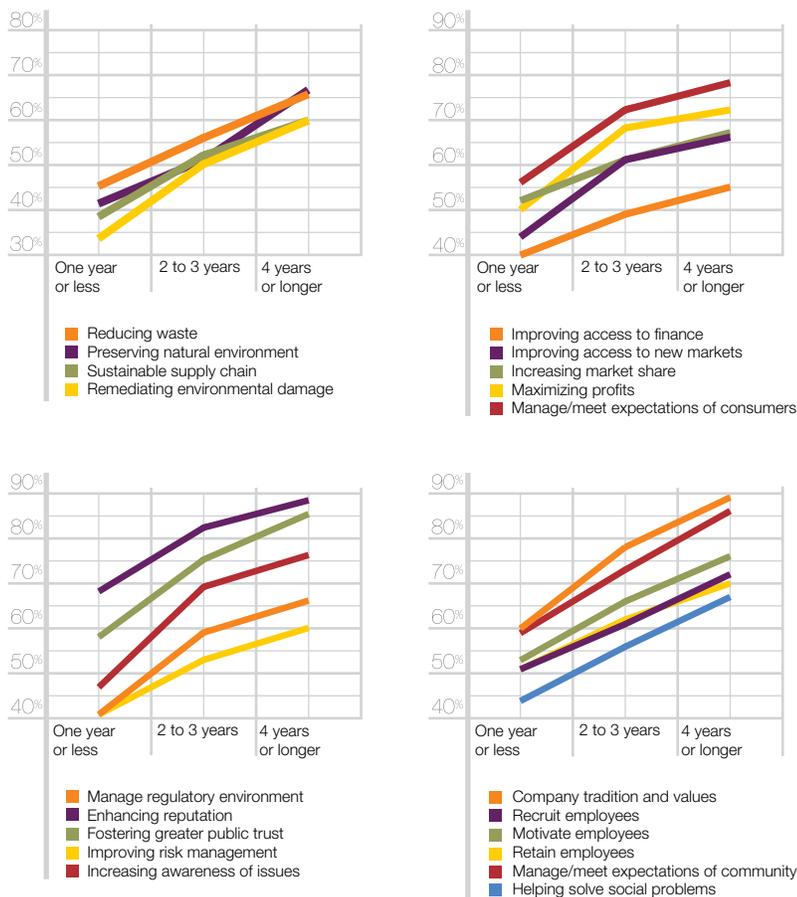
Firms maintaining a commitment for four years or more are far more likely to report success in achieving citizenship and business objectives (see Figure 29). After four years, increases in reported success level off. Publicly traded companies and those that are directly engaged with consumers

(B2C companies) are more likely to report longer-term investments in corporate citizenship. They also report success more frequently.

In contrast, among executives who say their companies don't achieve their citizenship goals, 77 percent also say that their efforts are less than three years old.

Figure 29

Typical duration of commitment to a corporate citizenship effort compared with percentage of reported success with business outcomes



Across all business outcomes, the frequency with which executives reported success increased as the duration of their citizenship investments was extended. That makes sense: Prior research suggests that companies will derive the most value from corporate citizenship – and consumers will see their efforts as most credible – if their investments connect to their overall strategy and a longer duration (Simmons and Becker-Olsen 2006).

Another recent study found that firms that extended the duration of corporate citizenship investments with obvious connections to their brands were perceived by consumers to be more committed to their causes – resulting in better reputation, more frequent word-of-mouth promotion, and higher purchase intent among consumers. (Thomas, Fraedrich and Mullen 2011).

Across every dimension measured, we observed a positive correlation of business outcome success to corporate citizenship investment. Longer durations of commitment to specific corporate citizenship efforts increase the likelihood of success with important business objectives—by as much as 30 points.

Environmental stewardship leads in resource allocation

Environmental programs received the highest percentage of reported increases in resources over the past three years (see Figure 32). Yet the level of importance assigned to these initiatives by executives is consistently lower than that assigned to other forms of citizenship. Taken together, these results suggest that executives recognize the need to preserve natural resources and reduce waste but may still be experimenting with programs and particular priorities. A recent Ernst & Young study conducted with the GreenBiz Intelligence Panel sheds light on this finding, suggesting that environmental programs are a critical emerging field in citizenship. According to Ernst & Young, 38 percent of executives say that equity analysts covering their firms consider environmental sustainability in their evaluations. Another 23 percent believe that sustainability will begin to factor into these evaluations within five years. Beyond the evaluation of investors and analysts, study respondents anticipate natural resource shortages that have the potential to disrupt business operations across many industries (see Figure 30).

In the Center's study, among the categories of corporate citizenship activities, environmental activities had the highest percentage of anticipated increases in resources, which suggests that they are becoming more central to corporate citizenship (see Figure 32). In looking at the importance of activities to success in overall corporate citizenship, environmental activities are expected to have the greatest growth in importance (see Figure 31).

For the mining/utilities industry, close to 80 percent of executives say that remediating envi-

ronmental damage matters for their success, the highest of the industries examined.

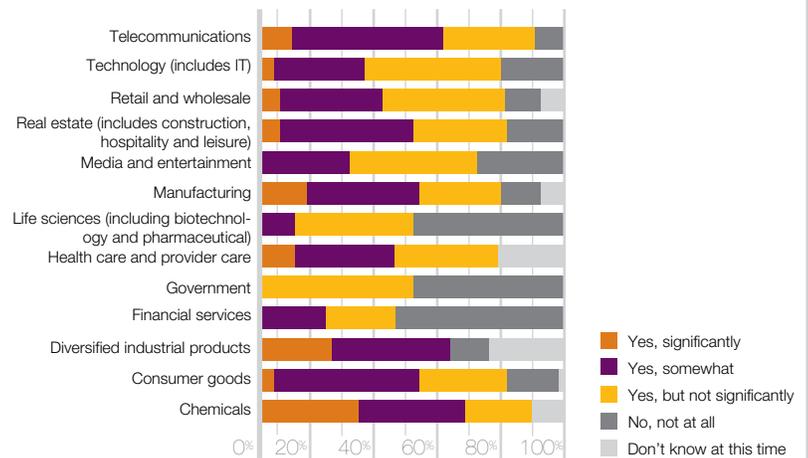
Among respondents whose companies operate only in the United States versus those with global operations, preserving the environment and repairing environmental damage are seen as more central to company success – eight to 10 percentage points higher.

Investment and commitment remain high

Even during the difficult economy of the last three years, resources for corporate citizenship were sustained or increased. Looking ahead, executives identify waste reduction and recycling programs, stakeholder engagement, and development of sustainable supply chains as the activities most likely to receive increased corporate resources over the next

Figure 30

Anticipation of core business objectives to be affected by natural resource shortages in 3-5 years



Source: Ernst & Young in cooperation with GreenBiz 2012

Six of 13 industries see natural resource issues as critical in their future.



Mattel develops new approach to sourcing packaging with the adoption of sustainable sourcing principles

In 2011, Mattel, the world's largest toy company, adopted principles to advance sustainability considerations in the procurement of paper and wood fiber used in its packaging and products. The principles communicate the company's commitment to advance the use of recycled material and sustainable fiber, beginning with packaging.

The principles are based on three fundamental commitments:

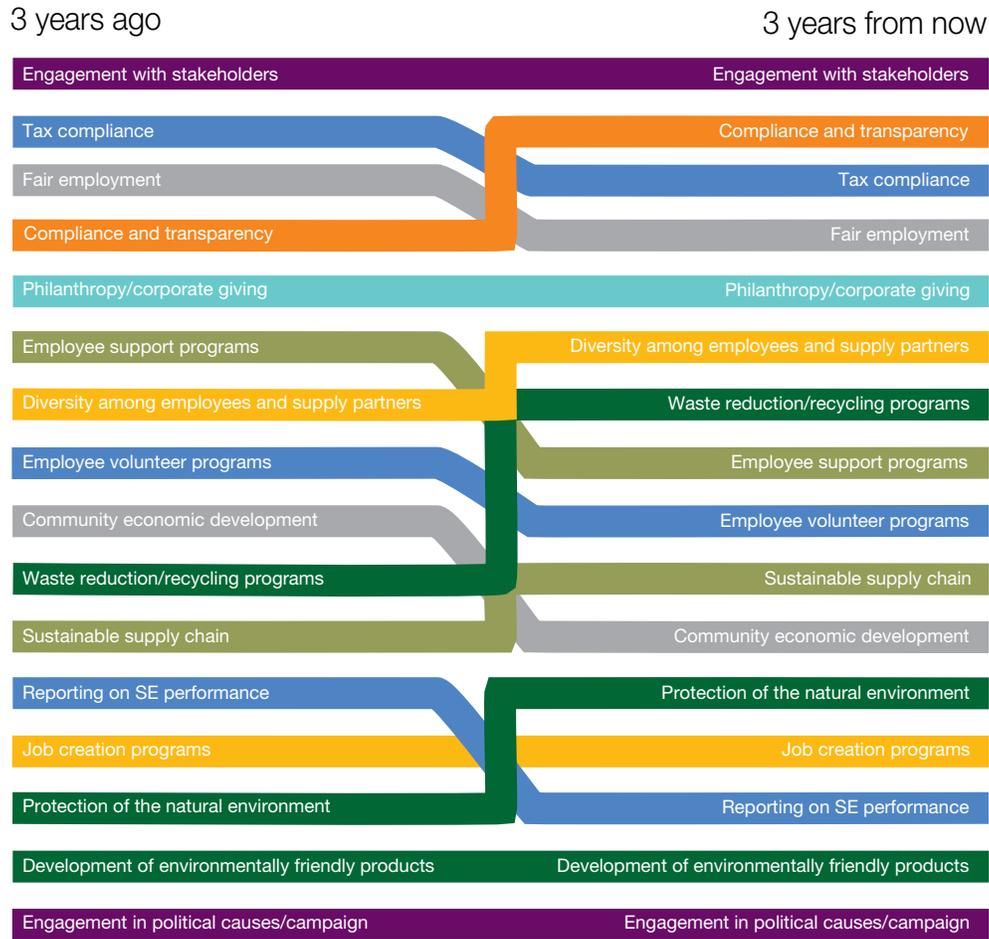
- Maximize post-consumer recycled content wherever possible in order to reduce dependence on wood production.
- Seek to avoid virgin fiber from controversial sources.
- Take steps to increase the percentage of fiber that is certified by a credible third party.

Mattel has exceeded its initial goal to have 70 percent of paper packaging composed of recycled materials or sustainable fiber, and measurable progress is being made toward achieving the company's next goal to increase that amount to 85 percent by year-end 2015.

Gathering input from stakeholders played an important part in the formative stages of the initiative. Input was sought from across the Mattel supply chain, and from leading brands in the sustainable paper and packaging space, as well as from the environmental community. The company sought to understand the basis of the Greenpeace campaign around deforestation in Indonesia. Mattel reached out to the Rainforest Alliance, an international organization that works to protect the world's rainforests and the diverse species and the communities that depend on them. Rainforest Alliance provided valuable input in the development of Mattel's sustainable sourcing principles.

In 2012, the focus for Mattel's procurement team has shifted to implementing these principles, including the communication of a preference, when feasible, for fiber certified by the Forest Stewardship Council, as well as procedures that require packaging suppliers to document their fiber sourcing practices. A pilot study is currently under way using the Rainforest Alliance's SmartSource 360 System™ to track the origin and certification of packaging materials and improve supplier communications.

Figure 31
Anticipated change in importance of activities to corporate citizenship success



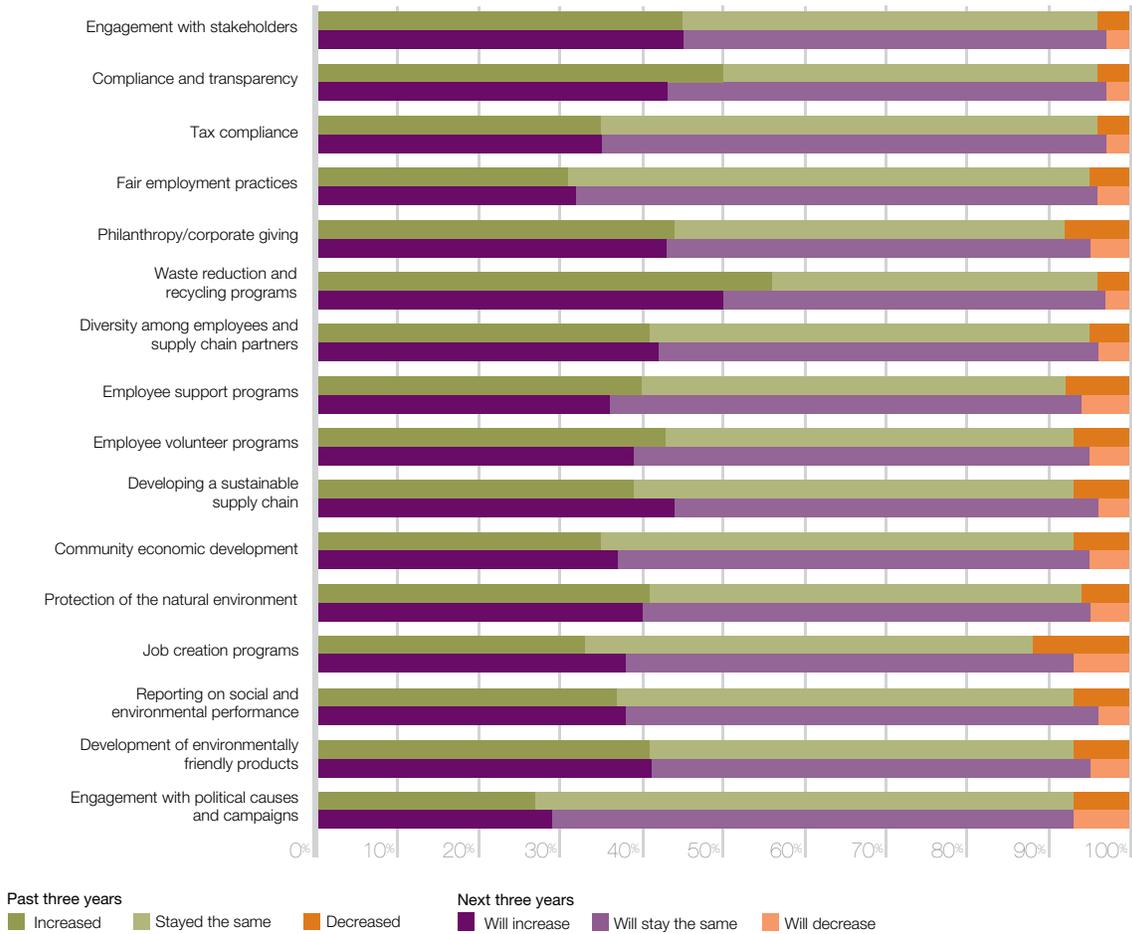
Comparing the cited importance of activities three years ago to their anticipated importance in three years, two environmental activities – waste reduction/recycling programs and protection of the natural environment have the greatest increase. Employee support programs have the greatest decrease in anticipated importance.

three years. And they identify engagement with stakeholders, compliance and transparency, and tax compliance as the areas that are most important to the success of their corporate citizenship programs.

Most respondents say that investments will either stay the same or increase for almost all citizenship programs (see Figure 32). Engagement with po-

litical causes and campaigns is deemed the least important citizenship activity, but even resources devoted to it are likely to be stable or increase. Fewer than 10 percent of respondents reported likely decreases across all of the activities. Overall, the programs cited as most likely to see decreases are engagement with political campaigns, job creation programs, and employee support programs.

Figure 32
**Resource commitment to corporate citizenship activities –
 Past 3 years vs. next 3 years**



Among the corporate citizenship activities listed above by predicted order of importance to respondents, waste reduction/recycling programs had the greatest reported increase in resource commitment over the past three years and is anticipated to have the greatest increase over the next three years. Less than 10 percent of respondents anticipated decreases in resource commitment for any of the listed activities in the next three years. The only reported decrease of more than 10 percent in the past three years came in the area of job creation programs.



Guiding principles affirm Dell's commitment to zero waste

Dell believes that zero waste — producing, consuming, and recycling without throwing anything away — is an ethical, cost-efficient and visionary approach that all manufacturers should employ. And, while absolute zero waste may not be possible in the short term, Dell has put in place zero-waste guiding principles and strategies that will help the company get closer to waste-free processes.

This is evidenced in Dell's manufacturing operations that achieved a recycle-and-reuse rate of 98 percent in FY12. All of Dell's major office facilities around the world also have on-site waste recycling programs and the company uses employee engagement and the company's Planet Employee Resource Group to promote recycling, reuse, and composting.

The Dell Principles that guide the goal of zero waste are:

- Waste is inefficient, so waste minimization, reuse, and recycling are fundamental
- We recognize our position in the overall ecosystem
- We help our customers minimize their waste, too
- We're committed to finding answers collaboratively

Dell has also demonstrated leadership in extending this approach to its innovative packaging. To further help consumers, Dell has reduced the size of packaging and bulky materials while increasing their recyclability. The company has also transitioned the cushioning for most laptops to recyclable and rapidly renewable bamboo, grown near their manufacturing sites. And the company works closely with carrier partners to reduce and recycle excess packaging.

Part of the challenge Dell faces is around obsolete electronics. According to the U.S. Environmental Protection Agency, only 18 percent of the 200 million pieces of computer-related e-waste that are generated each year actually gets recycled. The rest are going to waste — either stored away or, worse yet, winding up in landfills. Dell wants to change that. Dell provides easy, responsible recycling around the globe that has already collected more than 800 million pounds. Dell was also the first in the industry to ban the export of nonworking electronics to developing countries.



At the 2012 International Corporate Citizenship Conference, Trisha Thompson spoke about how Dell will reduce waste

Conclusion

A variety of imperatives are used to compel corporations to make social and environmental investments. Whether addressing poverty, climate change, food security, or water scarcity, we need solutions, and that need becomes more urgent each year. Corporate decision-makers may sometimes agree that those investments are warranted, but they must determine which investments are appropriate for the corporation to make.

The findings of the 2012 State of Corporate Citizenship survey demonstrate how corporate leaders are making effective decisions on those investments. Respondents make clear that a well-established corporate citizenship program that connects with the core business, aligns with strategy, and meets stakeholder expectations can boost business performance while addressing social and environmental problems. Executives responding to the survey affirm the value of corporate citizenship. The majority report that in the face of a challenging economy, their firms remain committed to almost all dimensions of citizenship.

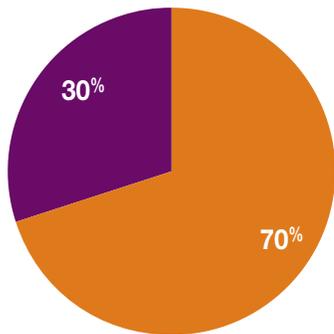
When asked about future levels of investment, respondents predict investments will be sustained or increased for all areas of citizenship. This demonstration of sustained commitment from executives – accompanied by a long view of its value – positions corporate citizenship to deliver solid returns for business, the community, and the planet.

Profile of companies surveyed

Most of the surveyed executives work for companies that are based in the United States but operate globally. Fifty-four percent are publicly traded.

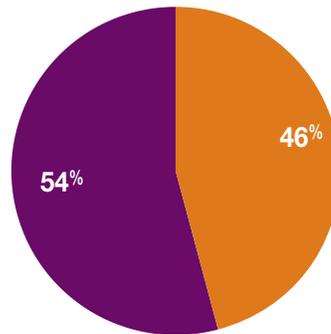
The companies are fairly equally divided among B2B, B2C, and a mix of the two forms of operation.

Figure 33
Company operation area – United States only (domestic) vs. global



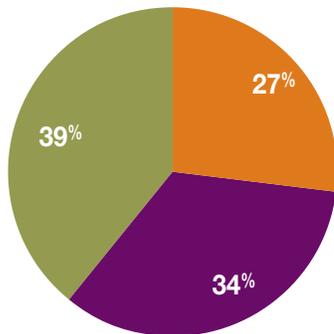
Global and Domestic Operations	# of Resp.
Global	527
Domestic	222

Figure 34
Company type



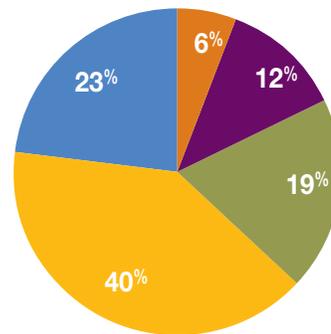
Company Type	# of Resp.
Private for-profit company	347
Publicly traded for-profit company	402

Figure 35
Company description – Business type



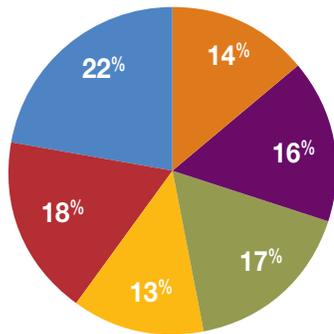
Business Type	# of Resp.
B2B	203
B2C	252
Both B2B and B2C	292

Figure 36
Company's annual revenues – Compared to 1 year ago



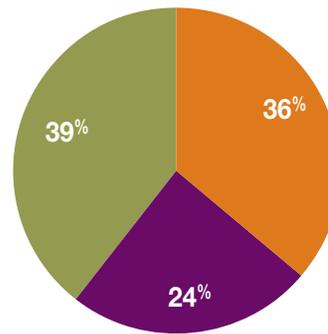
Revenue vs. a year ago	# of Resp.
Decreased by 10% or more	42
Decreased by 1-9%	88
Remained about the same	145
Increased by 1-9%	298
Increased by 10% or more	172

Figure 37
Company and business type



Business and Company Type	# of Resp.
Private B2B	105
Private B2C	118
Both B2B and B2C Private	124
Public B2B	98
Public B2C	134
Both B2B and B2C Public	168

Figure 38
Company's 2010 revenue



Size (2010 Revenue)	# of Resp.
Less than \$1 billion	273
\$1-\$4.99 billion	179
\$5 billion and over	290

Figure 39
Company's number of full-time employees –
Based in the United States in 2010

1,000 to 2,499	15%
2,500 to 4,999	15%
5,000 to 7,499	9%
7,500 to 9,999	9%
10,000 to 24,999	14%
25,000 to 49,999	12%
50,000 to 74,999	6%
75,000 to 99,999	4%
100,000 to 499,000	13%
500,000 to 999,999	2%
1 million or more	2%

Figure 40
Classifications of companies by industry

Accommodation and food services	6%
Waste and facilities management, holding companies	5%
Arts, entertainment, and recreation	2%
Construction	2%
Finance and insurance	10%
Health care and social assistance	5%
Information	8%
Manufacturing	21%
Other services (except public administration)	2%
Professional, scientific, and technical services	10%
Retail trade	13%
Transportation and warehousing	7%
Utilities and mining	2%
Wholesale trade	6%

Methodology

The 2012 State of Corporate Citizenship is an online survey of executives from 749 mostly medium and large U.S. companies. It was conducted between November 3, 2011, and December 23, 2011. The Carroll School of Management Center for Corporate Citizenship at Boston College gathered the data with the assistance of GlobeScan, a market research firm in Toronto. The Center has conducted biennial surveys of corporate attitudes and practices related to corporate citizenship since 2003.

This year's study used an e-Rewards Business Panel, as did the studies in 2007 and 2009. When possible, respondents to the 2009 survey were contacted and asked to complete the 2011 survey. Stratified random sampling was also employed. To qualify for participation, respondents had to meet the following criteria:

- Work for a for-profit private or publicly traded company
- Familiar with their company's corporate citizenship efforts
- Hold a position of senior executive level status or higher

The respondents worked in various states across the United States, with California (11 percent) and Texas (9 percent) most frequently reported. Most of the respondents' companies have global operations.

The survey was redesigned for 2011, permitting no direct comparisons to previous studies. This year's survey stressed the connection between business outcomes and corporate citizenship. It did not ad-

dress departmental structures, which are explored in *The Profile of the Practice*, another Center signature research report that will be issued next in 2013. The goal of this year's study is to better understand how corporate executives in U.S. companies perceive the benefits of corporate citizenship for their companies and communities, whether in the United States or abroad. Corporate citizenship was defined as corporate initiatives related to "community involvement, philanthropy, environmental, and governance issues."

Respondents were asked a variety of questions related to their positions, including their titles and job levels in relation to the CEO. They were surveyed regarding employment and company headquarters locations and the industry in which their company operates. Whenever respondents provided company names, the industries were cross-referenced with the North American Industry Classification System (NAICS) codes available in the LexisNexis Academic database. Other company information requested included the number of full-time equivalent employees (FTEs) based in the United States for 2010, total revenue in 2010, and revenue change versus a year earlier.

The main part of the survey had 22 questions, including two that asked for open-ended responses. There were 16 multi-part questions, one of which was a Nielsen tracking question regarding a company's responsibility for various social and environmental issues. Data was analyzed using statistical software (SPSS).

The survey sought to learn more about the executive perspective on the following questions:

- What are the reasons that firms engage in corporate citizenship?
- Do executives believe that corporate citizenship investments contribute to overall business success?
- To what degree are non-owner stakeholders considered in the design of corporate citizenship programs?
- What trends might be emerging around investment in corporate citizenship programs in the near term?
- How is activity in the field changing?

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About the Center for Corporate Citizenship at Boston College

The Carroll School of Management Center for Corporate Citizenship at Boston College is a membership-based knowledge center. Founded in 1985, the Center has a history of leadership in corporate citizenship research and education. We engage 400 member companies and more than 10,000 individuals annually to share knowledge and expertise about the practice of corporate citizenship through the Center's executive education programs, online community, regional programs, and our annual conference. For more information, visit the Center's website at BCCorporateCitizenship.org.